



JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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July 20, 2016

TO: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: John Naimo
Auditor-Controller

SUBJECT: **KOINONIA FOSTER HOMES, INC. – A DEPARTMENT OF CHILDREN
AND FAMILY SERVICES FOSTER FAMILY AGENCY CONTRACT
PROVIDER – FISCAL COMPLIANCE REVIEW**

We completed a fiscal compliance review of Koinonia Foster Homes, Inc. (Koinonia or Agency), which included a sample of transactions during July 2014 through August 2015. The Department of Children and Family Services (DCFS) contracts with Koinonia to provide Foster Family Agency (FFA) Program services to recruit, certify, train, and support foster family homes.

The purpose of our review was to determine whether Koinonia appropriately accounted for and spent FFA Program funds to provide the services outlined in their County contract. We also evaluated the Agency's financial records, internal controls, and compliance with their County contract and other applicable guidelines.

Our review covered the FFA Program contract with Koinonia, for which DCFS paid the Agency approximately \$5.8 million during July 2014 through August 2015 on a fee-for-service basis between \$1,728 and \$2,060 per child per month. Koinonia paid \$2,645,693 directly to the foster parents, which meets or exceeds the State's minimum requirement. The Agency provides services to residents from all five Supervisorial Districts.

Results of Review

Koinonia recorded and deposited DCFS cash receipts timely. However, the Agency charged \$7,183 in questioned costs to the FFA Program and did not always comply with their County contract requirements. For example, Koinonia:

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- Charged \$5,420 in unallowable and inadequately supported expenditures, including unreasonable and unnecessary expenditures, personal use of an Agency vehicle, unsupported Agency vehicle expenditures, and unallowable bonus and fundraising payroll costs.
- Inappropriately allocated \$1,763 to the County FFA Program that should have been allocated to other Agency program(s) and/or funding source(s). After our review, Koinonia provided documentation to support that they re-allocated the \$1,763 in expenditures to the appropriate program(s) and/or funding source(s).
- Did not properly prepare their January through June 2015 Semi-Annual Expenditure Report (SAER), resulting in overstating their revenues by \$20,618.

Koinonia's response, which is incorporated into DCFS' attached response, indicates that they will repay the \$5,420 in questioned costs, and submit a revised January through June 2015 SAER to DCFS. DCFS confirmed that Koinonia repaid the \$5,420 and submitted the revised SAER.

Details of our review, along with recommendations for corrective action, are attached (Attachment I).

Review of Report

We discussed our report with Koinonia and DCFS. Koinonia's Fiscal Corrective Action Plan (FCAP) that was approved by DCFS (Attachment II) indicates agreement with our findings and recommendations. DCFS management will conduct a review of the Agency's implementation of their FCAP within 90 days of the approved FCAP.

We thank Koinonia management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Aggie Alonso at (213) 253-0304.

JN:AB:PH:AA:sgd

Attachments

- c: Sachi A. Hamai, Chief Executive Officer
Philip L. Browning, Director, Department of Children and Family Services
Joseph Kelly, Treasurer and Tax Collector
Cary Nosler, Board President, Koinonia Foster Homes, Inc.
Sam Golden, Executive Director, Koinonia Foster Homes, Inc.
Commission for Children and Family Services
B. Ray Thomas, Manager, Program/Provisional Unit, California Department of Social Services
Public Information Office
Audit Committee

**KOINONIA FOSTER HOMES, INC.
FOSTER FAMILY AGENCY
FISCAL COMPLIANCE REVIEW
JULY 2014 THROUGH AUGUST 2015**

CASH/REVENUE

Objective

Determine whether Koinonia Foster Homes, Inc. (Koinonia or Agency) properly recorded revenue in their financial records, deposited cash receipts into their bank account timely, and if bank reconciliations were prepared timely, and reviewed and approved by Agency management.

Verification

We interviewed Koinonia's personnel, and reviewed their financial records and July 2015 bank reconciliations for two bank accounts.

Results

Koinonia properly recorded revenue in their financial records, deposited Department of Children and Family Services (DCFS) cash receipts into their bank account timely, and bank reconciliations were prepared timely, and reviewed and approved by Agency management.

Recommendation

None.

COST ALLOCATION PLAN/EXPENDITURES

Objective

Determine whether Koinonia developed their Cost Allocation Plan (Plan) using an appropriate cost allocation methodology, and if expenditures charged to the Foster Family Agency (FFA) Program were allowable, properly documented, and appropriately allocated.

Verification

We interviewed Koinonia's personnel, and reviewed their Plan and financial records for 79 non-payroll expenditures, totaling \$129,822, that the Agency charged to the FFA Program during July 2014 through August 2015.

Results

Koinonia developed their Plan using an appropriate cost allocation methodology. However, Koinonia's written Plan did not include the Agency's general accounting policies, identify the Agency's direct and indirect costs by category, describe the cost allocation methodology for each category, and contain the signature of Agency management certifying the accuracy of the Plan, as required by the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook) Section C.2.4. The Agency also did not equitably allocate shared expenditures to all Agency programs and/or funding sources as required by the Office of Management and Budget Circular A-122 (OMB Circular A-122) Attachment A Section A.4.

In addition, based upon our review of \$129,822 (27%) of \$483,725 in non-payroll expenditures Koinonia charged to the County FFA Program, we determined the Agency inappropriately charged \$6,755 (5%). Koinonia charged unallowable and inadequately supported expenditures totaling \$4,992 and inappropriately allocated \$1,763 in expenditures to the FFA Program. Specifically, Koinonia charged:

- \$1,690 in inadequately supported expenditures for the Agency vehicle, which was primarily used by the Associate Executive Director (AED). Koinonia did not maintain sufficient documentation, including vehicle mileage logs, to determine whether the expenditures were County Program related. OMB Circular A-122 Attachment A Section A.2 requires costs to be adequately documented to be allowable. A-C Handbook Section A.3.2 states that expenditures must be supported by original vouchers, invoices, receipts, vehicle mileage logs, or other supporting documentation, and that unsupported expenditures will be disallowed upon audit.
- \$1,565 in unreasonable and unnecessary lodging, rental car, airport parking, and food expenditures. OMB Circular A-122 Attachment A Section A.2 does not allow Program funds to be used for unreasonable and unnecessary expenditures.
- \$1,430 in unallowable expenditures for the AED's personal use of the Agency vehicle, including driving to and from work. OMB Circular A-122 Attachment B Sections 8 and 19 do not allow Program funds to be used for this purpose.
- \$307 in unallowable expenditures for advertising, entertainment, gratuity, and personal meals. OMB Circular A-122 Attachment B Sections 1, 14, and 19 do not allow Program funds to be used for these purposes.
- \$1,763 in inappropriately allocated expenditures. Koinonia did not allocate expenditures to the appropriate benefiting program(s) and/or funding source(s) as required by OMB Circular A-122 Attachment A Section A.4 and the Agency's policy. After our review, Koinonia provided documentation to support that they re-allocated the expenditures to the appropriate Agency program(s) and/or funding source(s).

In addition, we noted that Koinonia lacks internal controls over their disbursement process. Specifically, the Agency did not mark "paid" or reference the check number on six (100%) of the six questioned expenditures reviewed as required by A-C Handbook Section B.2.1. We also noted that four (67%) of the six questioned expenditures were not reviewed and approved by persons independent of check preparation and bookkeeping activities as required by A-C Handbook Section B.2.2. In addition, the expenditures were reviewed and approved by an employee who was related to the payer. Expenditures should be approved by an independent person to ensure the appropriateness of the transaction.

Recommendations

Koinonia Foster Homes, Inc. management:

- 1. Repay the Department of Children and Family Services \$4,992 (\$3,302 unallowable + \$1,690 inadequately supported expenditures).**
- 2. Ensure that all expenditures charged to the Foster Family Agency Program are allowable, properly documented, and appropriately allocated.**
- 3. Ensure the written Cost Allocation Plan is in compliance with their County contract.**
- 4. Ensure that supporting documentation for disbursements is marked "paid" and referenced to check numbers to prevent reuse or duplicate payments, and expenditures are appropriately approved prior to payment.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Koinonia's fixed assets and equipment purchased with FFA Program funds were used for the appropriate Program and adequately safeguarded.

Verification

We interviewed Koinonia's personnel, and reviewed their fixed assets and equipment inventory list. We also performed a physical inventory of three items purchased with FFA Program funds to verify the items exist and were being used for the Program.

Results

Koinonia did not maintain adequate controls over their fixed assets and equipment, as required by A-C Handbook Section B.4.2. Specifically, Koinonia's inventory list did not

include serial numbers, and the Agency did not always tag their fixed assets and equipment. We noted two (67%) of the three items inventoried were not appropriately tagged.

Recommendation

5. **Koinonia Foster Homes, Inc. management ensure the fixed assets list includes the serial numbers and that all fixed assets are appropriately tagged.**

PAYROLL AND PERSONNEL

Objective

Determine whether Koinonia maintained personnel files as required and charged payroll expenditures to the FFA Program that were allowable, properly documented, and appropriately allocated.

Verification

We interviewed employees, and reviewed personnel files for four employees. We also compared the payroll expenditures for the four employees, totaling \$6,051 for July and August 2015, to the Agency's payroll records and time reports.

Results

Koinonia generally maintained their personnel files as required by their County contract. In addition, the Agency maintained time records for the four employees reviewed. However, based upon our review of \$6,051 of the \$2.3 million in payroll expenditures Koinonia charged to the County FFA Program, we determined the Agency inappropriately charged \$428 (7%). Specifically, Koinonia charged \$314 to the FFA Program for an unallowable bonus to the AED that did not meet the requirements of OMB Circular A-122 Attachment B Section 8 and the Agency's bonus policy.

In addition, three (75%) of the four employees interviewed indicated that they charged time spent on fundraising activities to the FFA Program and did not track the time separately on their timecards. However, OMB Circular A-122 Attachment B Section 17 indicates that Program funds cannot be used for fundraising activities. As a result of our review, Agency management interviewed all FFA Program employees to determine who assisted with fundraising events, and the total fundraising hours charged to the FFA Program during our review period. Based on the interviews, the Agency determined unallowable fundraising costs of \$114. Since the employees did not appropriately track time spent on fundraising activities on their timecards, we were unable to verify the total questioned costs.

Recommendations

Koinonia Foster Homes, Inc. management:

- 6. Repay the Department of Children and Family Services \$428 (\$314 + \$114) in unallowable payroll expenditures.**
- 7. Ensure Foster Family Agency Program employees appropriately track work hours spent on fundraising activities.**

ENCRYPTION CONTROLS**Objective**

Determine whether Koinonia maintained encryption software to protect confidential and Personally Identifiable Information (PII).

Verification

We interviewed Agency personnel, reviewed their policies and procedures, and performed a physical inventory of three electronic devices to ensure they had encryption software that was enabled to prevent unauthorized access and use.

Results

Koinonia did not maintain encryption software to protect confidential and PII for one (33%) of the three electronic devices. The non-encrypted device was a desktop computer (desktop). Agency management indicated that they do not encrypt desktops. Koinonia should ensure that all electronic devices that contain confidential and PII have encryption software enabled to prevent unauthorized access and use.

Recommendation

- 8. Koinonia Foster Homes, Inc. management ensure all electronic devices that have confidential and Personally Identifiable Information have encryption software enabled to prevent unauthorized access and use.**

SEMI-ANNUAL EXPENDITURE REPORT**Objective**

Determine whether Koinonia's January through June 2015 Semi-Annual Expenditure Report (SAER) reconciled to their financial records and whether Koinonia had any unspent revenue.

Verification

We compared Koinonia's January through June 2015 SAER to their financial records.

Results

Koinonia's January through June 2015 SAER did not reconcile to their financial records. Specifically, the Agency's reported revenue on the SAER was overstated by a total of \$20,618 (\$44,745 - \$24,127). The overstatement was the net result of the Agency overstating their revenues by \$44,745 due to incorrect rates and understating their revenue at two facilities by \$24,127. As a result, Koinonia needs to revise their January through June 2015 SAER and provide DCFS with a revised SAER.

Recommendation

- 9. Koinonia Foster Homes, Inc. management revise the January through June 2015 Semi-Annual Expenditure Report and provide the Department of Children and Family Services a revised Semi-Annual Expenditure Report.**



PHILIP L. BROWNING
Director

BRANDON NICHOLS
Chief Deputy Director

**County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

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Fifth District

June 10, 2016

Sam Golden, Chief Operational Officer
Koinonia Foster Homes, Inc.
1881 S. Business Center Dr., #10-E
San Bernardino, CA 92408

Dear Mr. Golden:

**KOINONIA FOSTER HOMES, INC. – A DEPARTMENT OF CHILDREN AND FAMILY SERVICES
FOSTER FAMILY AGENCY CONTRACT PROVIDER – FISCAL COMPLIANCE REVIEW**

We have reviewed your revised fiscal corrective action plan (FCAP) in response to the Auditor-Controller's final draft fiscal audit. With regard to the \$5,420 in questioned costs, Koinonia Foster Homes and DCFS agreed that the total of \$5,420 was disallowed and must be repaid to the Department. Additionally, Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

Please make your check payable to DCFS Cashier in the amount of \$5,420 and mail to:

Bing Bing Wu
Fiscal Operation-Accounting Services
Department of Children and Family Services
425 Shatto Place Rm. 204
Los Angeles, Ca. 90020

I trust the attached documents will facilitate the audit resolution process for you. If you have any questions, please contact Ali Gomaa-Mersal, Financial Specialist IV, at (213) 351-0182.

Sincerely,

Ali Gomaa – Mersal for

Kristine Ovsepyan, ASM II
Fiscal Compliance Unit

Attachments

c: Aggie Alonso, Chief Accountant-Auditor (via electronic mail only)
Rhonda David-Shirley, CSA III (via electronic mail only)

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**KOINONIA FOSTER HOMES, INC. – A DEPARTMENT OF CHILDREN AND
FAMILY SERVICES FOSTER FAMILY AGENCY CONTRACT PROVIDER – FISCAL
COMPLIANCE REVIEW**

Note: Department of Children and Family Services (DCFS) will only review documentation not previously provided to the Auditor-Controller.

Summary of Recommendations

Based on the FCAP submitted by Koinonia Foster Homes, Inc., status of each recommendation is summarized as follows:

- ___ Recommendations (9) were fully addressed.
- ___ Recommendations (____) were partially addressed.
- ___ Recommendations (____) directed to the Department were addressed.

Recommendation

1. **Koinonia Foster Homes, Inc. management repay the Department of Children and Family Services \$4,992 (\$3,302 unallowable + \$1,690 inadequately supported expenditures).**

Agency Proposed FCAP: Koinonia Foster Homes, Inc. agrees to repay \$4,992.

DCFS Response: Please make your check payable to DCFS Cashier in the amount of \$4,992 and mail to:

Bing Bing Wu
Fiscal Operation-Accounting Services
Department of Children and Family Services
425 Shatto Place Rm. 204
Los Angeles, Ca. 90020

2. **Koinonia Foster Homes, Inc. management ensure that all expenditures charged to the Foster Family Agency Program are allowable, properly documented, and appropriately allocated.**

Agency Proposed FCAP: Koinonia Foster Homes, Inc. has implemented and trained staff on the following new procedures (Agency-Furnished Vehicle, Travel Policy, Payroll records transmission and retention policy) to ensure that all expenditures charged to the Foster Family Program are allowable, properly documented, and appropriately allocated. Koinonia has established and is enforcing more stringent guidelines for employees to report mileage to include the purpose of the trip, trip dates, origin and destination of the trip, beginning and ending odometer reading and resulting mileage. The forms have also been

revised to clearly identify business versus non-business, or personal travel (to and from work).

DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

3. **Koinonia Foster Homes, Inc. management ensure the written Cost Allocation Plan is in compliance with the County contract.**

Agency Proposed FCAP: Koinonia Foster Homes, Inc. supplied a revised copy of their Cost Allocation Plan in compliance with the County contract (attached is a copy) of what was provided.

DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

4. **Koinonia Foster Homes, Inc. management ensure that supporting documentation for disbursements is marked paid and referenced to check numbers to prevent reuse or duplicate payments, and expenditures are appropriately approved prior to payment.**

Agency Proposed FCAP: Koinonia Foster Homes, Inc. has implemented new procedures to meet the guidelines of the County contract.

DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

5. **Koinonia Foster Homes, Inc. management ensure the fixed assets listing includes the serial numbers and that all fixed assets are appropriately tagged.**

Agency Proposed FCAP: Koinonia Foster Homes, Inc. has implemented new procedures to track all serial numbers and appropriately tag all assets.

DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

6. **Koinonia Foster Homes, Inc. management repay the Department of Children and Family Services \$428 (\$314 + \$114) in unallowable payroll expenditures.**

Agency Proposed FCAP: Koinonia Foster Homes, Inc. agrees to repay \$428.

DCFS Response: Please make your check payable to DCFS Cashier in the amount of \$428 and mail to:

Bing Bing Wu
Fiscal Operation-Accounting Services
Department of Children and Family Services
425 Shatto Place Rm. 204
Los Angeles, Ca. 90020

7. **Koinonia Foster Homes, Inc. management ensure employees appropriately track work hours spent on fundraising activities.**

Agency Proposed FCAP: Koinonia Foster Homes, Inc. management staff has trained staff to emphasize the importance of tracking hours spent on fundraising activities. On-going training will be conducted as new employees are hired to maintain our contract requirements.

DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

8. **Koinonia Foster Homes, Inc. management ensure all electronic devices that have confidential and Personally Identifiable Information have encryption software enabled to prevent unauthorized access and use.**

Agency Proposed FCAP: Koinonia Foster Homes, Inc. maintains that its files are stored properly. All files are stored on an encrypted server. Devices such as laptops that get taken out of the office are also encrypted. Employees are instructed to only save files on the server but we agree it's possible they could accidentally store data on a local workstation and those are not encrypted. For a compromise to happen an assailant would require physical access and would also then have access to the paper files, we agree that it would only help protect the files by adding encryption to the workstations.

Koinonia Foster Homes, Inc. will be upgrading any non-encrypted devices to use Windows 10 and BitLocker for encryption. Expected to be fully completed before the end of 2017.

DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

9. **Koinonia Foster Homes, Inc. management revise the January through June 2015 Semi-Annual Expenditure Report and provide the Department of Children and Family Services a revised Semi-Annual Expenditure Report.**

Agency Proposed FCAP: Koinonia Foster Homes, Inc. has provided a revised Semi-Annual Expenditure Report.

DCFS Response: DCFS received the revised Semi-Annual Expenditure Report.